

## Message Text

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ACTION EB-08

INFO OCT-01 L-03 FRB-03 OMB-01 ITC-01 SP-02 ICA-11  
AGRE-00 AID-05 CIAE-00 COME-00 INR-10 IO-13  
LAB-04 NSAE-00 OIC-02 SIL-01 STR-07 TRSE-00  
CEA-01 SS-15 ISO-00 AF-10 ARA-10 EA-10 EUR-12  
NEA-10 NSC-05 CTME-00 JUSE-00 /145 W  
-----065098 081206Z /45

R 072020Z JUL 78  
FM AMEMBASSY BRASILIA  
TO SECSTATE WASHDC 8188  
INFO AMEMBASSY LONDON  
AMEMBASSY ABIDJAN  
AMEMBASSY LAGOS  
AMEMBASSY ACCRA  
AMEMBASSY YAOUNDE  
AMEMBASSY LIBREVILLE  
AMCONSUL RIO DE JANEIRO  
AMCONSUL SAO PAULO

LIMITED OFFICIAL USE SECTION 1 OF 2 BRASILIA 5340

E.O. 11652: N/A  
TAGS: EAGR, ETRD, BR  
SUBJECT: PRELIMINARY GOB VIEWS ON RENEGOTIATION OF INTERNATIONAL  
COCOA AGREEMENT

REF: A) STATE 139167 B) LIBREVILLE 1783

1. SUMMARY. GOB BELIEVES THAT RENEGOTIATION OF 1975 ICCA  
IS NEEDED, AND FAVORS RENEGOTIATION AT LEAST IN PART ALONG  
LINES OF US BUFFER STOCK PROPOSAL. IN ADDITION TO THIS  
EARLY INDICATION FROM FOREIGN MINISTRY, THE MINISTER OF  
INDUSTRY AND COMMERCE HAS REITERATED HIS PERSONAL INTEREST  
IN WORKING CLOSELY WITH USG--SPECIFICALLY IN MEETING WITH  
ASSISTANT SECRETARY KATZ--PRIOR TO THE RENEGOTIATION  
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CONFERENCE ITSELF. ACTION REQUESTED THE DEPARTMENT  
ARRANGE FOR A REPRESENTATIVE FROM THE TROPICAL PRODUCTS  
DIVISION TO VISIT BRASILIA THIS SUMMER TO DISCUSS COCOA  
MATTERS WITH THE GOB. END SUMMARY.

2. ECONOFF CALLED JULY 5 ON COUNSELOR CARLOS PEREZ,  
CHIEF OF FOREIGN MINISTRY'S BASIC PRODUCTS DIVISION,

TO DISCUSS GOB REACTION TO US COCOA BUFFER STOCK PROPOSAL (REF A) AND TO RENEGOTIATION OF 1975 ICCA IN GENERAL. PEREZ STRESSED THAT GOB VIEWS ON THESE ISSUES WERE VERY PRELIMINARY, AS NOT ALL AFFECTED GOB AGENCIES HAD HAD CHANCE TO COMMENT ON US PROPOSAL YET AND ALLIANCE OF COCOA PRODUCERS MEETINGS IN LIBREVILLE (REF B) WERE STILL PROCEEDING.

3. HE COMMENTED, HOWEVER, THAT BRAZIL SUPPORTED THE RENEGOTIATION OF THE 1975 ICCA RATHER THAN MERELY ITS EXTENSION. HE CRITICIZED THE 1975 ICCA FOR BEING TOO RIGID; ANY NEW COCOA AGREEMENT SHOULD HAVE PROVISIONS ALLOWING FOR THE REVIEW OF THE MAJOR FEATURES OF THE AGREEMENT (PRICE, EXPORT QUOTAS, ETC.) EVERY TWO YEARS OR SO. HE ALSO SAID THAT THE PROVISIONS OF ANY NEW AGREEMENT MUST BE SIMPLER, IMPLYING THAT THE CURRENT ICCA WAS TOO COMPLEX.

4. IN REGARD TO THE US PROPOSAL, PEREZ CALLED IT A "POSITIVE STEP," BUT HE HAD SOME QUESTIONS REGARDING THE PROPOSAL AND EXPRESSED THE VIEW THAT AN AGREEMENT BASED ONLY ON BUFFER STOCK OPERATIONS WOULD NOT BE ACCEPTABLE TO GOB. APPARENTLY CONSULTING COMPLETE TEXT OF US BUFFER STOCK PROPOSAL CIRCULATED AT AD HOC COMMITTEE ON RENEGOTIATION OF ICCA MEETING (REF A), PEREZ NOTED THAT BUFFER STOCK MANAGER WOULD BE AUTHORIZED LIMITED OFFICIAL USE

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TO DEAL IN COCOA FUTURES AS WELL AS IN PHYSICAL COCOA. HE SAID THAT GOB'S POSITION WAS THAT BUFFER STOCK SHOULD DEAL ONLY IN PHYSICAL COCOA BECAUSE IMPACT ON MARKET OF PURCHASES/SALES OF PHYSICAL PRODUCT WOULD BE GREATER THAN IMPACT CAUSED BY FUTURES ACTIVITY. ALSO IN REGARD TO THIS POINT, PEREZ SAID THAT THE AGREEMENT SHOULD SPECIFY THAT THE BUFFER STOCK MANAGER COULD ONLY PURCHASE COCOA FROM PRODUCER COUNTRIES AND NOT, FOR EXAMPLE, FROM PROCESSORS' STOCKPILES IN CONSUMER COUNTRIES. COMMENT: EMBASSY DOES NOT HAVE COMPLETE TEXT OF US BUFFER STOCK PROPOSAL, SO WE ARE UNABLE TO DETERMINE WHETHER ANSWERS TO PEREZ'S QUESTIONS ARE COVERED BY US DOCUMENT. WE WOULD APPRECIATE BEING POUCHED COPY OF U.S. PROPOSAL AS CIRCULATED AT AD HOC MEETING. END COMMENT.

5. PEREZ EXPRESSED SKEPTICISM THAT AN AGREEMENT BASED SOLELY ON BUFFER STOCKS COULD STABILIZE PRICES, PARTICULARLY AT THE LOWER END. HE ADMITTED THAT NEAR- AND MEDIUM-TERM COCOA OUTLOOK INDICATED FAIRLY STABLE PRICES, BUT HE SUGGESTED THAT BRAZIL WOULD INSIST ON AN AGREEMENT INCORPORATING BOTH BUFFER STOCK AND EXPORT

QUOTA PROVISIONS. PEREZ ASKED WHETHER US COULD  
ACCEPT THIS OR WAS TOTALLY COMMITTED TO PURE BUFFER  
STOCK ARRANGEMENT.

6. ECONOFF ENDED CONVERSATION BY INQUIRING IN GENERAL  
TERMS WHETHER PERZ THOUGHT THAT A VISIT TO BRAZIL BY  
A DEPARTMENT COCOA EXPERT WOULD BE USEFUL. HE REPLIED  
THAT SUCH A VISIT COULD BE BENEFICIAL, BUT THE

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INFO OCT-01 ISO-00 L-03 FRB-03 OMB-01 ITC-01 SP-02  
ICA-11 AGRE-00 AID-05 CIAE-00 COME-00 INR-10  
IO-13 LAB-04 NSAE-00 OIC-02 SIL-01 STR-07 TRSE-00  
CEA-01 SS-15 AF-10 ARA-10 EA-10 EUR-12 NEA-10  
NSC-05 CTME-00 JUSE-00 /145 W  
-----065154 081207Z /45

R 072020Z JUL 78  
FM AMEMBASSY BRASILIA  
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QUESTION WAS NOT IMMEDIATE SINCE ICCA NEGOTIATION  
CONFERENCE WAS NOT SCHEDULED TO BEGIN UNTIL JANUARY, 1979.

7. MINISTER OF INDUSTRY AND COMMERCE CALMON DE SA,  
WHO WORKED CLOSELY WITH USG IN RECENT SUGAR NEGOTIATIONS  
AND WHO HAS ALSO CONSULTED ON COFFEE MATTERS, EXPRESSED  
TO BOTH THE ECONOMIC COUNSELOR AND THE AMBASSADOR  
HIS DESIRE TO CONSULT WITH ASSISTANT SECRETARY KATZ  
PRIOR TO THE RENEGOTIATION OF THE ICCA. TO THE BEST  
OF OUR KNOWLEDGE, THIS IS THE FIRST MAJOR INDICATION  
OF HIS INTEREST IN COCOA, ALTHOUGH WE NOTE THAT HE IS

FROM BAHIA, BRAZIL'S MOST IMPORTANT COCOA PRODUCING  
REGION. CALMON DE SA TOLD THE AMBASSADOR JUNE 30 THAT  
HE "HAD BEEN MEANING TO CALL KATZ" ON THIS MATTER AND  
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HOPED THAT THE ASSISTANT SECRETARY COULD VISIT BRAZIL  
(ADDING THAT HE WOULD ALSO WISH TO DISCUSS COFFEE  
POLICY AT THAT TIME). THE MINISTER SAID THAT IT WAS  
IMPORTANT TO CONSULT WELL IN ADVANCE OF THE ACTUAL  
NEGOTIATIONS BEFORE ALL THE PRINCIPALS WERE LOCKED  
INTO POSITION.

8. ACTION REQUESTED: EMBASSY BELIEVES THAT IT WOULD  
BE DESIRABLE TO HAVE A REPRESENTATIVE FROM THE TROPICAL  
PRODUCTS DIVISION VISIT BRASILIA TO LAY THE GROUNDWORK  
FOR CLOSE COOPERATION BETWEEN THE GOB AND THE USG  
DURING THEICCA RENEGOTIATION. CONSIDERATION SHOULD  
BE GIVEN TO SENDING THIS REPRESENTATIVE PRIOR TO THE  
LONDON PRODUCER-CONSUMER MEETING IN SEPTEMBER.  
THE AMBASSADOR WILL COMMUNICATE DIRECTLY WITH ASSISTANT  
SECRETARY KATZ REGARDING A LATER MEETING WITH CALMON  
DE SA AND OTHER GOB OFFICIALS INVOLVED IN COMMODITY  
MATTERS.

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## Message Attributes

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**Concepts:** AGREEMENT, COCOA, GOVERNMENT REACTIONS, NEGOTIATIONS  
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**Draft Date:** 07 jul 1978  
**Decaption Date:** 01 jan 1960  
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**Original Previous Classification:** n/a  
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**To:** STATE  
**Type:** TE  
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